

## Attachment D - Financial Information

See Attached Financial Statements for Counsel Corporation, Applicant's ultimate parent company.

## AUDITORS' REPORT

To the Shareholders of  
Counsel Corporation:

We have audited the consolidated balance sheet of Counsel Corporation as at December 31, 2000 and the consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada and in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States ("U.S. GAAP").

On March 26, 2001, we reported separately to the shareholders of the Company on consolidated financial statements for the same period, prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The consolidated financial statements of the Company as at December 31, 1999 and for the years ended December 31, 1999 and 1998 prepared in accordance with Canadian GAAP (including a reconciliation to U.S. GAAP), prior to adjustments to present them in accordance with U.S. GAAP as described in *Note 1*, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 7, 2000. We have audited the adjustments to the financial statements as at December 31, 1999 and for the years ended December 31, 1999 and 1998, and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

Arthur Andersen LLP  
Chartered Accountants

Toronto, Canada  
March 26, 2001

# CONSOLIDATED BALANCE SHEETS

(In 000s of US\$)

December 31

	2000	1999
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 52,220	\$ 15,989
Trading securities (Notes 2 and 6)	67,897	73,589
Amounts receivable	3,414	2,584
Income taxes recoverable	2,112	4,212
Deferred income tax assets (Note 11)	785	1,423
Other assets (Note 3)	4,071	4,207
Discontinued assets (Note 12)	77,239	127,317
	207,738	229,321
<b>Long term assets</b>		
Other assets (Note 3)	21,851	24,155
Investment in significantly influenced corporations (Note 4)	15,783	9,735
Long term care facilities (Note 5)	14,248	15,805
	\$ 259,620	\$ 279,016
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued charges	\$ 14,189	\$ 18,727
Deferred revenue	735	995
Note payable (Note 6)	13,333	-
Mortgages and loans payable (Note 7)	251	256
Discontinued liabilities (Note 12)	40,728	13,030
	69,236	33,008
<b>Long term liabilities</b>		
Deferred revenue	1,449	1,923
Note payable (Note 6)	26,667	40,000
Mortgages and loans payable (Note 7)	19,775	20,412
Debentures payable (Note 8)	48,501	50,000
Deferred income taxes (Note 11)	11,848	15,653
	177,476	160,996
<b>Shareholders' equity</b>	82,144	118,020
	\$ 259,620	\$ 279,016

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board

Allan Silber,  
Director

Morris Perlis,  
Director

# **CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(In 000s of US\$)

For the years ended December 31

	Capital Stock (Note 9)		Additional Paid in Capital	Accumulated Comprehensive Income	Retained Earnings (Deficit)	Total Shareholders' Equity
	No. of Shares (In 000s)	Amount				
Balance December 31, 1997	27,947	\$ 119,572	\$ -	\$ -	\$ 8,014	\$ 127,586
Shares issued	90	640	-	-	-	640
Shares purchased for cancellation	(336)	(1,476)	-	-	(1,251)	(2,727)
Stock option compensation	-	(192)	-	-	-	(192)
Income tax benefit on employee stock options	-	-	-	-	236	236
Net loss	-	-	-	-	(25,805)	(25,805)
Balance December 31, 1998	27,701	118,544	-	-	(18,806)	99,738
Shares issued	20	32	-	-	-	32
Shares purchased for cancellation	(2,188)	(8,072)	-	-	(5,660)	(13,732)
Employee share purchase loans	-	(1,319)	-	-	-	(1,319)
Other comprehensive income	-	-	-	9,393	-	9,393
Dividends	-	-	-	-	(26,357)	(26,357)
Net earnings	-	-	-	-	50,265	50,265
Balance December 31, 1999	25,533	109,185	-	9,393	(558)	118,020
Shares issued	92	143	-	-	-	143
Shares purchased for cancellation	(1,688)	(6,942)	2,220	-	(8)	(4,730)
Gain on issuances of stock by significantly influenced corporations	-	-	-	-	366	366
Other comprehensive income	-	-	-	(9,178)	-	(9,178)
Dividends	-	-	-	-	(1,791)	(1,791)
Net loss	-	-	-	-	(20,686)	(20,686)
Balance December 31, 2000	23,937	\$ 102,386	\$ 2,220	\$ 215	\$ (22,677)	\$ 82,144

## **CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In 000s of US\$)

For the years ended December 31

	2000	1999	1998
Net earnings (loss)	\$ (20,686)	\$ 50,265	\$ (25,805)
Other comprehensive income			
Unrealized holding gains (losses) arising during the year	(6,872)	9,393	-
Reclassification adjustment for gains included in net loss	(2,306)	-	-
	(9,178)	9,393	-
Comprehensive income (loss)	\$ (29,864)	\$ 59,658	\$ (25,805)

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENTS OF EARNINGS

(In 000s of US\$ except per share amounts)

For the years ended December 31

	2000	1999	1998
<b>Revenues</b>			
Long term care	\$ 32,045	\$ 31,275	\$ 31,112
Medical products	2,924	3,091	251
Clinical laboratory	-	-	9,142
Interest and other income	2,638	7,203	10,004
	37,607	41,569	50,509
Cost of medical products sold	2,306	1,834	130
Cost of clinical laboratory products sold	-	-	6,706
<b>Operating expenses</b>			
Long term care	31,289	30,594	29,900
Medical products	4,056	3,700	256
Clinical laboratory	-	-	1,970
	(44)	5,441	11,547
<b>Earnings (loss) before undernoted items</b>			
Gain on sale of trading and available for sale securities (Note 2)	8,142	-	-
Market value adjustment on trading securities (Note 2)	44,192	(143,776)	(981)
	52,290	(138,335)	10,566
<b>Earnings (loss) before undernoted expenses</b>			
Corporate	4,300	3,433	3,008
Amortization	2,114	1,949	1,684
Interest	4,335	4,954	2,910
	41,541	(148,671)	2,964
<b>Earnings (loss) before losses of significantly influenced corporations and writedown of investments</b>			
Equity in losses of significantly influenced corporations	(9,547)	(265)	-
Writedown of investments	(3,430)	(5,423)	-
	28,564	(154,359)	2,964
<b>Earnings (loss) before income taxes and minority interest</b>			
Income taxes (recovered) (Note 11)	15,174	(55,421)	(1,215)
Minority interest	-	(1,663)	(13)
	13,390	(97,275)	4,192
<b>Earnings (loss) from continuing operations</b>			
Earnings (loss) from discontinued operations (Note 12)	(34,567)	147,540	(29,997)
	(21,177)	50,265	(25,805)
<b>Earnings (loss) before extraordinary item</b>			
Gain on retirement of convertible debentures net of deferred income taxes of \$131	491	-	-
	\$ (20,686)	\$ 50,265	\$ (25,805)
<b>Net earnings (loss)</b>			
<b>Earnings (loss) per common share - basic</b>			
Earnings (loss) from continuing operations	\$ 0.54	\$ (3.71)	\$ 0.15
Earnings (loss) from discontinued operations	(1.39)	5.62	(1.08)
Extraordinary item	0.02	-	-
<b>Net earnings (loss) - basic</b>	\$ (0.83)	\$ 1.91	\$ (0.93)
<b>Earnings (loss) per common share - diluted</b>			
Earnings (loss) from continuing operations	\$ 0.54	\$ (3.71)	\$ 0.15
Earnings (loss) from discontinued operations	(1.39)	5.62	(1.08)
Extraordinary item	0.02	-	-
<b>Net earnings (loss) - diluted</b>	\$ (0.83)	\$ 1.91	\$ (0.93)
Weighted average number of common shares outstanding (in 000s)	24,860	26,258	27,881

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(In 000s of US\$)

For the years ended December 31

	2000	1999	1998
<b>Cash provided by (used in) operating activities</b>			
Net earnings (loss)	\$ (20,686)	\$ 50,265	\$ (25,805)
<i>Non-cash items included in net earnings</i>			
(Earnings) loss from discontinued operations	34,567	(147,540)	29,997
Gain on retirement of debentures payable	(491)	-	-
Writedown of investments	3,430	5,423	-
Gain on sale of trading and available for sale securities	(8,142)	-	-
Gain on sale of other assets	(302)	(1,492)	(2,232)
Market value adjustment on trading securities	(44,192)	143,776	981
Amortization	2,114	1,949	1,684
Amortization of deferred revenue	(735)	(1,057)	(1,703)
Amortization of deferred finance costs	178	178	178
Deferred income taxes (benefits)	16,746	(52,542)	(181)
Minority interest	-	(1,663)	(13)
Equity in losses of significantly influenced corporations	9,547	265	-
Sale (acquisition) of trading securities	54,334	(5,143)	-
Decrease (increase) in amounts receivable	(830)	814	130
Decrease (increase) in income taxes recoverable	1,020	(1,098)	(1,028)
Decrease (increase) in other assets	(1,312)	4,665	(808)
Increase (decrease) in accounts payable	(4,620)	7,036	1,704
<b>Net cash provided by operating activities</b>	<b>40,626</b>	<b>3,836</b>	<b>2,904</b>
<b>Cash provided by (used in) investing activities</b>			
Investment in significantly influenced corporations	(15,982)	(10,000)	-
Investment in available for sale securities	(3,700)	(3,013)	-
Other investments	(1,137)	(3,759)	(3,937)
Mortgages and other advances - repayments	1,679	-	436
Mortgages and other advances - lending	(7,653)	(747)	-
Proceeds on sale of investments	5,621	3,661	2,439
Discontinued operations	(2,152)	157,912	(83,580)
<b>Net cash provided by (used in) investing activities</b>	<b>(23,324)</b>	<b>144,054</b>	<b>(84,642)</b>
<b>Cash provided by (used in) financing activities</b>			
Mortgages and loans payable - repayments	(4,055)	(4,312)	-
Mortgages and loans payable - borrowings	3,507	-	4,055
Shares purchased for cancellation	(4,730)	(13,732)	(2,727)
Retirement of debentures payable	(877)	-	-
Proceeds from exercise of stock options	84	32	640
Dividends paid	-	(26,357)	-
Discontinued operations	25,000	(91,704)	75,500
<b>Net cash provided by (used in) financing activities</b>	<b>18,929</b>	<b>(136,073)</b>	<b>77,468</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>36,231</b>	<b>11,817</b>	<b>(4,270)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>15,989</b>	<b>4,172</b>	<b>8,442</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 52,220</b>	<b>\$ 15,989</b>	<b>\$ 4,172</b>
<b>Supplemental disclosure of cash flow information</b>			
Cash paid (received) during the year for items relating to continuing operations			
Interest	\$ 4,122	\$ 5,283	\$ 5,604
Income tax refunds	\$ (1,308)	\$ (1,082)	-
Income tax payments	-	\$ 3,505	-
Portion of proceeds on sale of pharmacy services business derived from capital stock of the purchaser	-	\$ 207,174	-

The accompanying notes are an integral part of these consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In 000s of US\$ except per share amounts)

December 31, 2000, 1999 and 1998

### 1. Summary of significant accounting policies

#### Basis of presentation

These statements are presented in addition to the Company's primary financial statements, which are prepared in accordance with Canadian GAAP. By presenting these additional financial statements, management aims at assisting U.S. readers in comparing the operating results of the Company and its financial position to those of its peers. This is the first year that management has prepared a full set of financial statements in accordance with U.S. GAAP. In prior years, management prepared its financial statements in accordance with Canadian GAAP which included a note reconciling net earnings (loss) between Canadian and U.S. GAAP and provided the additional disclosures required by U.S. GAAP. The U.S. GAAP information included in those notes has been used to prepare the 1999 and 1998 statements in accordance with U.S. GAAP.

#### Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and all companies over which it has control. The results of operations of companies acquired are included from the dates of acquisition.

#### Significantly Influenced corporations

Corporations over which control does not exist but significant influence is exercised are accounted for using the equity method.

#### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Translation of foreign currencies

The Company's functional currency is the U.S. dollar. Accordingly, the monetary accounts of foreign entities are translated into U.S. dollars at the exchange rate prevailing at the year end and the non-monetary accounts are translated at historical rates. Revenues and expenses are translated at average exchange rates during the year. Exchange gains or losses arising from the translation of operations have been included in earnings.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Cash and cash equivalents

Cash and cash equivalents comprises cash and short term market investments with original maturities of three months or less. At December 31, 2000 cash equivalents were \$45,500 (1999 - \$11,700).

### Trading securities

Trading securities are carried at market value. Unrealized gains and losses in value are included in the determination of earnings as market value adjustments.

### Available for sale securities

Available for sale securities are carried at market value. Realized gains and losses, including declines in value that are judged to be non-temporary, are included in the determination of earnings. Unrealized gains and losses are recorded, net of tax, as a component of comprehensive income.

### Financial Instruments

The carrying amounts reported on the balance sheets for cash and cash equivalents, amounts receivable, accounts payable and accrued charges and note payable approximate their fair values because of the immediate or short term maturity of these financial instruments. The fair values of other financial instruments are disclosed in *Notes 2, 8 and 13*. The estimated fair value of trading and available for sale securities is based on quoted market values at year end. Other fair value amounts are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value. The fair value estimates are based on pertinent information available to management as at the balance sheet date. Such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

### Amortization

Long term care facilities are recorded at the lower of cost and estimated net recoverable amount. Amortization is provided using the straight-line method over 23 years.

Furniture, equipment and leasehold improvements are recorded at cost with amortization being provided over their estimated useful lives as follows:

Furniture and equipment	- straight-line or accelerated method over periods from 3 to 7 years and declining balance method at 20% per annum
Leasehold improvements	- straight-line over the shorter of the term of the lease or estimated useful life of the asset

Financing costs are amortized over the term of the related debt.

Goodwill, which represents the excess of purchase price over fair value of tangible and identifiable intangible net assets acquired, is amortized on a straight-line basis over the expected periods to be benefited, generally 10 years. The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. If an impairment is identified, the amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Deferred revenue

Deferred revenue, arising from the disposition of certain long term care leasehold interests in 1994, is being amortized on a straight-line basis over 10 years.

### Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of the existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

### Stock-based compensation plans

The Company has stock-based compensation plans, which are described in *Note 10*. The Company, as permitted by SFAS 123 "Accounting for Stock-Based Compensation," has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB 25 "Accounting for Stock Issued to Employees." Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's common shares at the date of grant over the amount an employee must pay to acquire the common shares. The Company has adopted the disclosure requirements of SFAS 123.

### Reclassifications

Certain comparative figures have been reclassified to conform to the current year's basis of presentation.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 2. Trading securities

Summarized below is selected financial information relating to trading securities at December 31:

	Number of Shares (In 000s)		Carrying Amount	
	2000	1999	2000	1999
Bergen Brunswick Corporation ("Bergen") (i)	4,239	7,832	\$ 67,110	\$ 65,090
RioCan REIT	-	1,309	-	7,841
Other	-	-	787	658
			<u>\$ 67,897</u>	<u>\$ 73,589</u>

- (i) The Company's interest in Bergen was acquired in 1999 as partial consideration for the sale of its wholly owned subsidiary Stadtlander Drug Company, Inc. ("Stadtlander") and the exchange of the Company's interest in PharMerica, Inc. ("PharMerica"). The Company's initial accounting basis for the combined Bergen interest was \$207,174 or \$26.45 per share.

During 1999 a market value adjustment of \$142,084, based on the December 31, 1999 per share market price of \$8.31, was recorded. During 2000, the Company sold 3,593,000 shares of Bergen for proceeds of \$46,833 realizing a gain of \$4,837. In addition, a market value adjustment of \$43,727, based on the December 31, 2000 per share market price of \$15.83, was recorded.

### 3. Other assets

	2000	1999
Mortgages and other advances (i)	\$ 9,630	\$ 3,349
Available for sale securities	6,639	12,407
Goodwill (net of amortization of \$865; 1999 - \$554)	2,755	2,820
Capital assets (net of amortization of \$1,009; 1999 - \$982)	1,845	1,990
Other	5,053	7,787
	<u>25,922</u>	<u>28,362</u>
Less - current portion	<u>(4,071)</u>	<u>(4,207)</u>
	<u>\$ 21,851</u>	<u>\$ 24,155</u>

- (i) During the year, the Company entered into an agreement to acquire a majority interest in Nexbell Communications Inc. ("Nexbell"), subject to certain conditions. At December 31, 2000, the Company had advanced \$6,120 pursuant to an interest-bearing revolving credit facility.

Subsequent to the year end, the Company concluded its purchase, acquiring a 97.5% interest for cash consideration of \$1,500 and has increased its advances under the credit facility to approximately \$7,926.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 4. Investment in significantly influenced corporations

	Ownership		Carrying Amount		Equity in Losses	
	2000	1999	2000	1999	2000	1999
Impower, Inc. (i)	33.6%	25.2%	\$ 10,340	\$ 9,735	\$ (4,504)	\$ (265)
Proscapa Technologies, Inc. (ii)	36.0	-	3,071	-	(2,114)	-
IBT Technologies, Inc. (iii)	27.7	-	2,372	-	(1,856)	-
Core Communications Corporation (iv)	-	-	-	-	(1,073)	-
			<b>\$ 15,783</b>	<b>\$ 9,735</b>	<b>\$ (9,547)</b>	<b>\$ (265)</b>

Equity in losses includes amortization of goodwill attributable to the Company's acquisition of significantly influenced corporations of \$2,965 (1999 - \$294).

#### (i) Impower, Inc. ("Impower")

Impower provides transaction-based Internet direct marketing and electronic database management products and services. On October 22, 1999, the Company acquired a 25.2% interest in Impower for cash consideration of \$10,000. The cost of the acquisition was allocated on the basis of the fair market value of assets acquired (\$2,893) and liabilities assumed (\$445), resulting in \$7,562 of unallocated excess of cost over net assets acquired, which is being amortized over a period of five years.

On June 22, 2000, the Company increased its interest in Impower from 25.2% to 33.6% for cash consideration of \$5,109. The cost of the acquisition was allocated on the basis of the fair market value of assets acquired (\$3,057) and liabilities assumed (\$745), resulting in \$2,797 of increased unallocated excess of cost over the net assets acquired, which is being amortized over a period of five years.

On February 28, 2001, the Company advanced \$2,000 to Impower pursuant to a promissory note secured by the assets of Impower and convertible into convertible preferred stock of Impower under certain circumstances.

#### (ii) Proscapa Technologies, Inc. ("Proscapa")

Proscapa develops, markets and supports marketing and sales information systems for middle and Fortune 1000 companies. On January 20, 2000, the Company acquired a 31.5% interest in Proscapa for cash consideration of \$4,001. On October 24, 2000, Proscapa successfully completed a private placement involving the Company and third party investors. Pursuant to this private placement, the Company acquired a further 4.5% interest for cash consideration of \$1,140 resulting in a 36% interest at December 31, 2000. Proscapa stock issuances pursuant to this third party participation resulted in a dilution gain of \$44, which is reflected as a component of shareholders' equity. The cost of these acquisitions was allocated on the basis of the fair market value of the assets acquired (\$2,672) and the liabilities assumed (\$1,098). These valuations gave rise to \$3,567 of unallocated excess of cost over net assets acquired, which is being amortized over a period of five years.

On February 16, 2001, the Company increased its interest in Proscapa to 52%, on a fully diluted basis, for cash consideration of \$2,648.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (iii) *IBT Technologies, Inc. ("IBT")*

IBT is an application service provider that develops, deploys and supports media-rich e-learning products and services delivered over the Internet for business training and post-secondary educational applications. On March 27, 2000, the Company acquired a 26.7% interest in IBT for cash consideration of \$4,000. On August 15, 2000, a further 1% interest was acquired for cash consideration of \$222 resulting in a 27.7% interest at December 31, 2000. The cost of these acquisitions was allocated on the basis of the fair market value of the assets acquired (\$1,745) and the liabilities assumed (\$151). These valuations gave rise to \$2,628 of unallocated excess of cost over net assets acquired, which is being amortized over a period of five years.

Subsequent to December 31, 2000, the Company provided a commitment to fund up to \$900 to IBT against which \$608 has been advanced to date. A third party investor has matched the Company's commitment and current advances. It is the intention of the Company and the third party to convert their promissory notes to convertible preferred stock of IBT upon completion of a new round of equity financing, which is expected to close by May 2001.

### (iv) *Core Communications Corporation ("Core")*

Core provides managed network services for high-speed data communications in hotel and convention meeting spaces. On March 28, 2000, the Company acquired a 32.6% interest in Core for cash consideration of \$1,833. On December 29, 2000, Core successfully completed an equity financing in which the Company did not participate. The stock issuances pursuant to this equity financing resulted in a dilution gain of \$322 which is reflected as a component of shareholders' equity. As a result, the Company's interest in Core was diluted to 12.9% and, consequently, its investment in Core has been classified as an available for sale security as it no longer exercises significant influence over the business activities of Core.

## 5. Long term care facilities

	2000	1999
Land	\$ 2,226	\$ 2,226
Buildings and improvements	28,439	28,439
Equipment	4,341	4,341
Accumulated amortization	(20,758)	(19,201)
	<u>\$ 14,248</u>	<u>\$ 15,805</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 6. Note payable

	2000	1999
Note payable	\$ 40,000	\$ 40,000
Less – current portion	(13,333)	-
Long term portion	\$ 26,667	\$ 40,000

On December 15, 1998, a vendor note in the amount of \$40,000 was assumed as part of the consideration for the acquisition of all rights to certain pharmaceutical products by FARO Pharmaceuticals, Inc. ("FARO"). The note is payable in equal principal quarterly installments of \$3,333, commencing March 15, 2001 and concluding on December 15, 2003. The note bears interest at a rate of 2% above the posted 90-day LIBOR as of the first day of each quarter and is payable quarterly. At December 31, 2000 the LIBOR was 6.4%. At December 31, 2000, the note was secured by the pledge of 4,063,000 shares of Bergen.

### 7. Mortgages and loans payable

Mortgages and loans payable are secured by long term care facilities and bear interest at rates ranging from 7.93% to 8.55% (1999 – 7.93% to 8.55%) with a weighted average year end rate of 8.30% (1999 – 8.30%) and are repayable as follows:

2001	\$ 251
2002	7,194
2003	163
2004	163
2005	7,081
Thereafter	5,174
	<u>\$ 20,026</u>

Approximately 63.4% (1999 – 64.5%) of mortgages and loans payable are repayable in Canadian dollars.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 8. Debentures payable

	2000	1999
Debentures payable	\$ 48,501	\$ 50,000

On October 31, 1996, the Company issued \$50,000 of convertible unsecured subordinated debentures bearing interest at 6% per annum payable semi-annually on April 30 and October 31 and maturing on October 31, 2003.

Prior to November 1, 2001, the Company may redeem the debentures at par plus accrued interest, but only if the weighted average price at which the common shares of the Company have traded during the 20 consecutive trading days immediately prior to the redemption date is at least 115% of the conversion price if notice to redeem is given before November 1, 2001. The Company may redeem the debentures at any time on or after November 1, 2001 at par plus accrued interest.

The Company may elect to satisfy its obligation to pay principal upon redemption or at maturity by the issuance of its own common shares to the holders of the debentures. The number of shares to be issued is obtained by dividing the face amount of the debentures by 95% of the weighted average trading price of the common shares for the 20 consecutive trading days, ending on the fifth trading day prior to the date of notice of such election.

The debentures are convertible into common shares of the Company at the option of the holder at any time prior to the earlier of the maturity date and the last business day immediately preceding the date fixed for redemption at a conversion price of \$11.47 per share.

During 2000, pursuant to normal course issuer bids, the Company purchased for cancellation \$1,499 of debentures for cash consideration of \$877, resulting in a gain of \$491, after tax of \$131. Subsequent to December 31, 2000 the Company purchased for cancellation an additional \$1,960 of debentures for cash consideration of \$1,022.

The fair value of the debentures based on their quoted market price at December 31, 2000 was \$26,676 (1999 - \$29,000).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 9. Capital stock

The authorized capital stock consists of an unlimited number of common and preferred shares.

During 1999, the Company replaced its special shares with one class of preferred shares issuable in series and changed the authorized number of its common shares to an unlimited number.

During 2000, pursuant to normal course issuer bids, the Company acquired 1,688,000 (1999 – 2,188,000) common shares.

Deducted from capital stock are non-interest bearing loans of \$2,595 due from employees for the purchase of 1,242,000 shares of the Company having a market value of \$2,071 at December 31, 2000. These loans have various maturity dates ranging from June 28, 2002 to January 19, 2006.

### 10. Stock-based compensation plans

At December 31, 2000, the Company had three stock-based compensation plans, comprising two fixed stock option plans and one share purchase plan.

#### Fixed stock option plans

Under the 1992 Director, Officer and Employee Stock Option Plan, the Company may grant options to its directors, officers and employees for up to 2,700,000 common shares. Under the 1997 Stock Option Plan, the Company may grant options to its directors, officers, employees and any other person or company engaged to provide ongoing management or consulting services for the Company, for up to 4,200,000 common shares. Under both plans, the exercise price of each option equals the market price of the Company's common shares on the date of grant. The maximum term of the grant is six years from the date of initial vesting of any portion of the grant. Unless otherwise provided, options vest 20% on the date of grant and 20% on each of the first through fourth anniversaries of the grant date. All unvested options vest upon a change of control of the Company.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of the status of the Company's fixed stock option plans and changes during the year is presented below:

	2000		1999		1998	
	Number of Shares (000s)	Weighted Average Exercise Price (in C\$)	Number of Shares (000s)	Weighted Average Exercise Price (in C\$)	Number of Shares (000s)	Weighted Average Exercise Price (in C\$)
<b>Fixed stock options</b>						
Outstanding at beginning of year	3,570	\$ 14.11	3,119	\$ 14.76	3,146	\$ 14.58
Granted	564	6.63	447	10.17	73	14.54
Exercised	(92)	2.30	(20)	2.40	(50)	11.74
Forfeited	(850)	14.46	(6)	17.53	(50)	13.66
Outstanding at end of year	<u>3,192</u>	<u>\$ 13.04</u>	<u>3,570</u>	<u>\$ 14.21</u>	<u>3,119</u>	<u>\$ 14.76</u>
Options exercisable at end of year	<u>2,173</u>	<u>\$ 13.91</u>	<u>2,961</u>	<u>\$ 14.74</u>	<u>2,847</u>	<u>\$ 14.73</u>

The following table summarizes the fixed stock options outstanding and exercisable at December 31, 2000:

Range of Exercise Prices (in C\$)	Options Outstanding			Options Exercisable	
	Number Outstanding (000s)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (in C\$)	Number Exercisable (000s)	Weighted Average Exercise Price (in C\$)
\$4.05 to \$5.70	257	5.02	\$ 5.61	132	\$ 5.77
\$7.65 to \$10.40	693	4.30	8.73	253	8.89
\$12.40 to \$15.20	1,388	2.01	13.71	1,177	13.94
\$16.40 to \$18.00	<u>854</u>	<u>2.19</u>	<u>17.72</u>	<u>611</u>	<u>17.70</u>
\$4.05 to \$18.00	<u>3,192</u>	<u>2.79</u>	<u>\$ 13.04</u>	<u>2,173</u>	<u>\$ 13.91</u>

As permitted under SFAS 123, the Company has elected to continue to measure its stock option plans using the intrinsic value method prescribed by APB 25. The application of APB 25 did not result in the recognition of compensation expense.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Had compensation cost for these plans been determined using the fair value method consistent with SFAS 123, the Company's net earnings (loss) and earnings (loss) per share would have been as follows:

	2000	1999	1998
Net earnings (loss)	\$ (21,266)	\$ 46,919	\$ (28,653)
Net earnings (loss) per common share – basic	\$ (0.86)	\$ 1.79	\$ (1.02)
Net earnings (loss) per common share – diluted	\$ (0.86)	\$ 1.79	\$ (1.02)

As a result of SFAS 123 not being applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of expected cost in future years.

The fair value of each option is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2000, 1999 and 1998, respectively: risk-free interest rates of 6.3%, 6.3% and 5.1%; expected dividend yields of 0%, 0% and 0%; expected lives of six years, six years and six years; and expected volatility of 65.5%, 48.7% and 49.2%.

### Share purchase plan

Under the Company's Share Purchase Plan, the Company is authorized to issue up to 300,000 common shares to executive officers. The purchase price of its shares equals the market price of the Company's common shares on the date of purchase. The Company lends the full amount of the purchase price to the participant and loans are non-interest bearing and due on the later of five years from the date of advance and the date on which the shares purchased under the plan have a market value equal or greater than twice the amount of the loan outstanding but, in any case, no later than the tenth anniversary of the date of advance. All of the shares authorized under the plan were issued in 1996 (*see Note 9*).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 11. Income taxes

The Company's income tax provision differs from the provision computed at statutory rates as follows:

	2000	1999	1998
Earnings (loss) before income taxes and minority interest	\$ 28,564	\$(154,359)	\$ 2,964
Income taxes (recovered), based on statutory tax rates of 42.12% (1999 and 1998 - 44.62%)	\$ 12,031	\$ (68,875)	\$ 1,323
Increase (decrease) in taxes resulting from:			
Losses not tax affected	6,503	1,936	878
Lower effective tax rate of foreign subsidiaries	(3,639)	13,427	285
Non-deductible transactions	331	1,185	1,975
Utilization of losses carried forward	-	(3,183)	(5,687)
Large corporation tax (recovered)	(52)	89	11
Actual income taxes (recovered)	\$ 15,174	\$ (55,421)	\$ (1,215)
Represented by:			
Current (recovery)	\$ (1,520)	\$ 215	\$ 4,642
Deferred (recovery)	16,746	(52,542)	(181)
Utilization of losses carried forward	-	(3,183)	(5,687)
Large corporation tax (recovery)	(52)	89	11
	\$ 15,174	\$ (55,421)	\$ (1,215)

The Company's income tax provision by country is as follows:

	2000	1999	1998
<b>Canada</b>			
Current (recovery)	\$ (52)	\$ 108	\$ 27
Deferred (recovery)	1,116	(3,900)	88
	\$ 1,064	\$ (3,792)	\$ 115
<b>United States</b>			
Current (recovery)	\$ (1,520)	\$ (2,987)	\$ (1,061)
Deferred (recovery)	15,630	(48,642)	(269)
	\$ 14,110	\$ (51,629)	\$ (1,330)
<b>Total</b>			
Current (recovery)	\$ (1,572)	\$ (2,879)	\$ (1,034)
Deferred (recovery)	16,746	(52,542)	(181)
	\$ 15,174	\$ (55,421)	\$ (1,215)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The composition of the Company's net deferred tax assets and liabilities is as follows:

	2000	1999
Current deferred tax asset:		
Revenue recognition	\$ 247	\$ 305
Accrued charges currently not deductible for tax	(193)	458
Other	853	795
Valuation reserve	(122)	(135)
Net current deferred tax asset	\$ 785	\$ 1,423
Long term deferred tax asset:		
Revenue recognition	\$ 478	\$ 716
Basis differences of investments	-	5,450
Basis differences of property	238	90
Cost recognition	323	269
Other net losses available for carryforward	7,899	3,271
Valuation reserve	(7,406)	(9,394)
	1,532	402
Long term deferred tax liability:		
Basis differences of investments	(13,380)	(16,055)
Net long term deferred tax liability	\$ (11,848)	\$ (15,653)

Cumulatively, the Company has net operating losses for carryforward aggregating approximately \$4,500 which are available for the reduction of future years' taxable incomes. In addition, the Company and its subsidiaries have capital losses aggregating approximately \$47,400 available for application against future capital gains. These losses have no expiry date. Included in the \$65,836 in income taxes on the gain from the sale of Stadtlander to Bergen in 1999 (see Note 12) is a reduction in current income taxes of \$18,000 resulting from the Company's application of income tax losses on certain investments which the Company believes are deductible.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 12. Discontinued operations

The composition of earnings (loss) from discontinued operations is as follows:

	2000	1999	1998
Discontinued pharmaceutical products operations (i)	\$ (32,931)	\$ 6,097	\$ 826
Discontinued pharmacy services operations (ii)	(1,035)	155,972	2,279
Discontinued home health care operations (iii)	(601)	(14,529)	(33,102)
	<u>\$ (34,567)</u>	<u>\$ 147,540</u>	<u>\$ (29,997)</u>

#### (i) Discontinued pharmaceutical products operations

Effective May 23, 2000, the Company adopted a plan to dispose of the pharmaceutical products business of FARO Pharmaceuticals, Inc. through the disposition of its rights, including trademarks, copyrights and regulatory filings in certain pharmaceutical products. On January 17, 2001, the Company entered into a definitive agreement to sell its rights to these pharmaceutical products. Accordingly, the Company reflected the results of operations to May 23, 2000 from this business as discontinued operations and the Company has adjusted the carrying value of its investment in the pharmaceutical products business to reflect both the operations subsequent to measurement date and the estimated net realizable value of its investment.

Summarized below is selected financial information for discontinued pharmaceutical products operations for 2000, 1999 and 1998:

	2000	1999	1998
Revenues	\$ 11,223	\$ 33,541	\$ 3,127
Earnings (loss) before income taxes	\$ (830)	\$ 7,914	\$ 728
Income taxes	12	1,233	-
Minority interest	(197)	584	(98)
Earnings (loss) from operations to measurement date	(645)	6,097	826
Loss subsequent to measurement date after income taxes recovered of \$18,958	(32,286)	-	-
Earnings (loss) from discontinued operations	<u>\$ (32,931)</u>	<u>\$ 6,097</u>	<u>\$ 826</u>

Results of discontinued operations both before and after measurement date include an allocation of interest expense relating to general corporate debt attributable to the discontinued operation.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (ii) *Discontinued pharmacy services operations*

Discontinued pharmacy services operations include the specialty retail pharmacy business of Stadtlander and the Company's interest in the institutional pharmacy business of PharMerica. On January 21, 1999 the Company sold Stadtlander to Bergen for net sale proceeds of \$333,852, comprising \$171,374 in cash and \$162,478 in stock, consisting of 5,676,101 common shares of Bergen. The disposition resulted in a gain of \$194,364 after income taxes of \$65,836.

On April 26, 1999, Bergen acquired 100% of the stock of PharMerica in exchange for .275 of a share of Bergen for each outstanding share of PharMerica. Proceeds of \$44,696 for the Company's interest in PharMerica were based on the fair value of the 2,156,554 shares of Bergen received. The exchange of the Company's interest in PharMerica for Bergen stock resulted in an after tax loss of \$38,392 after an income tax recovery of \$3,147.

Summarized below is selected financial information for discontinued pharmacy services operations at December 31:

	2000	1999	1998
Revenues	\$ -	\$ -	\$ 395,371
Earnings before income taxes	\$ -	\$ -	\$ 8,153
Income taxes	-	-	5,874
Earnings from operations to measurement date	-	-	2,279
Earnings (loss) subsequent to measurement date	(1,035)	155,972	-
Earnings (loss) from discontinued operations	\$ (1,035)	\$ 155,972	\$ 2,279

Results of discontinued operations both before and after measurement date include an allocation of interest expense relating to general corporate debt attributable to the discontinued operation.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (iii) *Discontinued home health care operations*

Effective November 6, 1998, the Company adopted a plan to dispose of its home health care operations through the disposition of its interest in AHOM. Accordingly, the Company adjusted the carrying value of its investment in AHOM to reflect both the estimated future operating losses and estimated net realizable value of its investment. During 1999, the market value of the Company's interest in AHOM declined from its December 31, 1998 level. As a result, management determined that a sale of the Company's interest in AHOM did not offer an optimal return to the Company's shareholders and, as an alternative, the Company sought and received regulatory approval to distribute the shares as a dividend in kind. At December 31, 1999, the Company adjusted the carrying value of its investment in AHOM to \$0.60 per share, resulting in an estimated after tax loss of \$14,529. The market value at the time the dividend was paid declined to \$0.45 per share and a further after tax loss of \$601 was recorded in 2000.

Summarized below is selected financial information for discontinued home health care operations at December 31:

	2000	1999	1998
Revenues	\$ -	\$ -	\$ 91,890
Loss before income taxes	\$ -	\$ -	\$ (2,382)
Income tax recoveries	-	-	(827)
Loss from operations to measurement date	-	-	(1,555)
Loss subsequent to measurement date	(601)	(14,529)	(31,547)
Loss from discontinued operations	\$ (601)	\$ (14,529)	\$ (33,102)

Results of discontinued operations both before and after measurement date include an allocation of interest expense relating to general corporate debt attributable to the discontinued operation.

## 13. Financial instruments

### Fair value

Financial instruments that have fair values that differ from their carrying values are as follows:

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgages and other advances	\$ 9,630	\$ 9,226	\$ 3,350	\$ 3,182
Mortgages and loans payable	20,026	20,422	20,668	22,161

### Guarantees

The Company has guaranteed the repayment of certain mortgages, of which \$27,802 expire in 2004 and \$8,600 expire in 2015. Management believes that the value of the assets securing these mortgages is sufficient to cover the guarantees provided.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 14. Lease commitments

The Company has commitments under long term operating leases, principally for long term care operations, which approximate \$3,300 over each of the next five years.

### 15. Contingent liability

Subsequent to the closing of the sale of Stadtlander, as required under the purchase agreement, Bergen notified the Company of proposed adjustments to the calculation of the net worth of Stadtlander as of the closing date, which would have reduced the final Stadtlander purchase price (*see Note 12 (ii)*). The Company reviewed Bergen's proposed adjustments and concluded that the majority were not appropriate. After attempts to resolve the disputed adjustments were unsuccessful, the Company and Bergen began the process of resolving the matter through the arbitration process that had been established in the Stadtlander purchase agreement. As the arbitration process was being initiated, Bergen filed suit against the Company on October 14, 1999 in the Superior Court of the State of California for the County of Los Angeles, seeking damages for alleged misrepresentation with respect to the sale of Stadtlander.

The Company's initial response was to file a motion to stay the Bergen lawsuit and compel the parties to deal with their dispute through arbitration as mandated by the purchase agreement. Bergen opposed the Company's motion but agreed to enter into negotiations for a stipulated arbitration provision that would significantly expand the scope of the issues and alter the contractual arbitration procedure. However, during these negotiations Bergen announced that it was selling Stadtlander and advised the Company that it could not guarantee the Company access to Stadtlander's historical accounting records for purposes of the arbitration, even though this was a requirement of the purchase agreement. The Company believed that complete and unlimited access to Stadtlander's accounting records was necessary to properly defend itself against Bergen's allegations and concluded that the discovery rights available to it in litigation, but not in arbitration, will significantly increase the likelihood that it will have access to those records. Consequently, the Company decided not to proceed with the stipulated arbitration being negotiated with Bergen and withdrew its motion to compel arbitration.

On September 15, 2000, the Company filed a cross-complaint against Bergen for breach of the purchase agreement and breach of the implied covenant of good faith and fair dealing, along with its response to Bergen's complaint. The Court has set a tentative trial date of August 20, 2001 for hearing the action and written discovery and document discovery have commenced.

On January 11, 2001, Bergen filed an application for a temporary restraining order to prevent the release to the Company of Bergen common shares that were pledged to Glaxo (*see Notes 2 and 6*). The application was denied but Bergen decided to proceed with a motion for a preliminary injunction to enjoin the Company from selling or otherwise disposing of any of the Bergen shares received on the sale of Stadtlander, pending the resolution of its claims against the Company. Document discovery and depositions with respect to this motion have been or will be taken in February and March 2001. The hearing on the motion is scheduled for April 19, 2001. The Company has sold 2,231,643 of the 5,676,101 shares of Bergen it received on the sale of Stadtlander.

Management believes that Bergen's claims are completely without merit and the Company is defending its position vigorously. However, due to the incipient stage of the litigation, its ongoing status and the necessary uncertainties involved in all litigation, the Company does not believe it is feasible at this time to assess the likely outcome of the litigation, the timing of its resolution, or its ultimate impact, if any, on the Company's financial condition, results of operations and cash flows.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 16. Segmented information

The Company manages its business as three operating segments.

During 2000, 1999 and 1998 the Company's continuing operations included the following segments:

- (a) Long term care, being the ownership and leasing of long term care facilities and operations in the United States and Canada.
- (b) Sale of medical products in the United States.
- (c) Technology services being the provision of Internet direct marketing services, the development and support of sales information systems, the deployment and support of media-rich e-learning products and services, and the provision of managed network services for high-speed data communication in hotel and convention meeting places, all in the United States.
- (d) Clinical laboratory, being the provision of clinical laboratory services in the United States.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Long Term Care (i)	Medical Products	Technology Services (ii)	Corporate (iii)	Total
<b>2000</b>					
<b>Revenues</b>	<b>\$ 32,045</b>	<b>\$ 2,924</b>	<b>\$ -</b>	<b>\$ 2,638</b>	<b>\$ 37,607</b>
Earnings (loss) before undernoted items	\$ 756	\$ (3,438)	\$ -	\$ 2,638	\$ (44)
Gain on sale of trading and available for sale securities	-	-	-	8,142	8,142
Market value adjustment on trading securities	-	-	-	44,192	44,192
Earnings (loss) before undernoted expenses	756	(3,438)	-	54,972	52,290
Corporate	-	-	-	4,300	4,300
Amortization	1,527	273	-	314	2,114
Interest	1,993	18	-	2,324	4,335
Earnings (loss) before losses of significantly influenced corporations and writedown of investments	(2,764)	(3,729)	-	48,034	41,541
Equity in losses of significantly influenced corporations	-	-	(9,547)	-	(9,547)
Writedown of investments	-	-	-	(3,430)	(3,430)
Earnings (loss) before income taxes	(2,764)	(3,729)	(9,547)	44,604	28,564
Income taxes (recovered)	(802)	-	(2,011)	17,987	15,174
Segment earnings (loss)	\$ (1,962)	\$ (3,729)	\$ (7,536)	\$ 26,617	\$ 13,390
Segment assets (iv)(v)	\$ 15,579	\$ 3,637	\$ 15,783	\$ 147,382	\$ 182,381
Capital expenditures	-	-	-	73	73
Other significant non-cash items					
Amortization of deferred revenue	(735)	-	-	-	(735)
Deferred income taxes	(124)	-	(2,011)	18,881	16,746

- (i) Long term care earnings include revenues from Canada of \$30,694 and from the United States of \$1,351.
- (ii) Total revenues from significantly influenced corporations are \$10,629, of which \$3,217 is the Company's proportionate share.
- (iii) Corporate earnings include interest income of \$2,336.
- (iv) Medical products and technology services assets, as well as \$2,105 of long term care assets, are located in the United States. The balance of long term care assets of \$13,474 are located in Canada.
- (v) Segment assets exclude assets of discontinued operations.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Long Term Care (i)	Medical Products	Technology Services	Corporate (ii)	Total
1999					
Revenues	\$ 31,275	\$ 3,091	\$ -	\$ 7,203	\$ 41,569
Earnings (loss) before undernoted item	\$ 681	\$ (2,443)	\$ -	\$ 7,203	\$ 5,441
Market value adjustment on trading securities	-	-	-	(143,776)	(143,776)
Earnings (loss) before undernoted expenses	681	(2,443)	-	(136,573)	(138,355)
Corporate	-	-	-	3,433	3,433
Amortization	1,431	332	-	186	1,949
Interest	1,990	182	-	2,782	4,954
Earnings (loss) before losses of significantly influenced corporation and writedown of investments	(2,740)	(2,957)	-	(142,974)	(148,671)
Equity in losses of significantly influenced corporation	-	-	(265)	-	(265)
Writedown of investments	-	(3,898)	-	(1,525)	(5,423)
Loss before income taxes	(2,740)	(6,855)	(265)	(144,499)	(154,359)
Income taxes recovered	(1,013)	(2,399)	(81)	(51,928)	(55,421)
Segment earnings (loss)	\$ (1,727)	\$ (4,456)	\$ (184)	\$ (92,571)	\$ (98,938)
Segment assets (iii)(iv)	\$ 17,496	\$ 4,056	\$ 9,735	\$ 120,412	\$ 151,699
Capital expenditures	-	-	-	83	83
Other significant non-cash items					
Amortization of deferred revenue	(1,057)	-	-	-	(1,057)
Deferred income taxes	(623)	-	-	(51,919)	(52,542)

(i) Long term care earnings include revenues from Canada of \$29,924 and from the United States of \$1,351.

(ii) Corporate earnings include interest income of \$5,711.

(iii) Medical products and technology services assets, as well as \$2,995 of long term care assets, are located in the United States. The balance of long term care assets of \$14,501 are located in Canada.

(iv) Segment assets exclude assets of discontinued operations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Long Term Care (i)	Clinical Lab	Medical Products	Corporate (iii)	Total
1998					
Revenues	\$ 31,112	\$ 9,142	\$ 251	\$ 10,004	\$ 50,509
Earnings (loss) before undernoted item	\$ 1,212	\$ 466	\$ (135)	\$ 10,004	\$ 11,547
Market value adjustment on trading securities	-	-	-	(981)	(981)
Earnings (loss) before undernoted expenses	1,212	466	(135)	9,023	10,566
Corporate	-	-	-	3,008	3,008
Amortization	1,445	35	18	186	1,684
Interest	1,996	73	12	829	2,910
Earnings (loss) before income taxes	(2,229)	358	(165)	5,000	2,964
Income taxes (recovered)	(928)	135	-	(422)	(1,215)
Segment earnings (loss)	\$ (1,301)	\$ 223	\$ (165)	\$ 5,422	\$ 4,179
Segment assets (iii)(iv)	\$ 21,615	\$ -	\$ 4,243	\$ 23,156	\$ 49,014
Capital expenditures	-	101	-	233	334
Other significant non-cash items					
Amortization of deferred revenue	(1,703)	-	-	-	(1,703)
Deferred income taxes	(141)	(40)	-	-	(181)

(i) Long term care earnings include revenues from Canada of \$29,761 and from the United States of \$1,351.

(ii) Corporate earnings include interest income of \$845.

(iii) Clinical lab and medical products, as well as \$5,280 of long term care assets, are located in the United States. The balance of long term care assets of \$16,335 are located in Canada.

(iv) Segment assets exclude assets of discontinued operations.

### 17. Subsequent event

#### I-Link, Incorporated

I-Link, Incorporated ("I-Link") is an enhanced Internet Protocol voice and data communications services provider. On March 1, 2001, the Company acquired a 65% interest in I-Link for cash consideration of \$5,000 and agreed to invest \$10,000 in the form of three-year debt convertible into I-Link common shares at a conversion rate of \$0.56 per common share.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 18. Additional earnings per share disclosures

The following is a reconciliation of the numerators and denominators used in computing basic and diluted earnings per share.

December 31, 2000		
Earnings (numerator)	Weighted Average Shares (denominator)	Per Share Amount
Earnings before discontinued operations and extraordinary item	\$ 13,390	-
Basic earnings per share		\$ -
Earnings available to common shareholders	\$ 13,390	24,860
Effect of dilutive securities		\$ 0.54
Weighted average stock options exercised	16	
Earnings available to common shareholders and assumed conversions	\$ 13,390	24,876
		\$ 0.54

  

December 31, 2000		
Earnings (numerator)	Shares (denominator)	Per Share Amount
Net loss	\$ (20,686)	-
Basic earnings per share		\$ -
Earnings available to common shareholders	\$ (20,686)	24,860
Effect of dilutive securities		\$ (0.83)
Weighted average stock options exercised	16	
Earnings available to common shareholders and assumed conversions	\$ (20,686)	24,876
		\$ (0.83)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 1999		
	Earnings (numerator)	Weighted Average Shares (denominator)	Per Share Amount
Loss before discontinued operations	\$ (97,275)	-	\$ -
<b>Basic earnings per share</b>			
Earnings available to common shareholders	\$ (97,275)	26,258	\$ (3.71)
<b>Effect of dilutive securities</b>			
Weighted average stock options exercised	-	-	-
Earnings available to common shareholders and assumed conversions	\$ (97,275)	26,258	\$ (3.71)

	December 31, 1999		
	Earnings (numerator)	Shares (denominator)	Per Share Amount
Net earnings	\$ 50,265	-	\$ -
<b>Basic earnings per share</b>			
Earnings available to common shareholders	\$ 50,265	26,258	\$ 1.91
<b>Effect of dilutive securities</b>			
Weighted average stock options exercised	-	-	-
Earnings available to common shareholders and assumed conversions	\$ 50,265	26,258	\$ 1.91

	December 31, 1998		
	Earnings (numerator)	Weighted Average Shares (denominator)	Per Share Amount
Earnings before discontinued operations	\$ 4,192	-	\$ -
<b>Basic earnings per share</b>			
Earnings available to common shareholders	\$ 4,192	27,881	\$ 0.15
<b>Effect of dilutive securities</b>			
Weighted average stock options exercised	-	94	-
Earnings available to common shareholders and assumed conversions	\$ 4,192	27,975	\$ 0.15

	December 31, 1998		
	Earnings (numerator)	Shares (denominator)	Per Share Amount
Net loss	\$ (25,805)	-	\$ -
<b>Basic earnings per share</b>			
Earnings available to common shareholders	\$ (25,805)	27,881	\$ (0.93)
<b>Effect of dilutive securities</b>			
Weighted average stock options exercised	-	94	-
Earnings available to common shareholders and assumed conversions	\$ (25,805)	27,975	\$ (0.93)